COMPANY RESULTS

Petronas Dagangan (PETD MK)

1H25: Profits In Line; Wait-And-See Approach Till Ron95 Retargeting Reveal

Petronas Dagangan (PETD) 1H25 core profits were in line, though it likely remains superior to peers in terms of sales volume of commercial products. We continue to see the positive local macro environment sustain PETD's growth and its energy transition pathways. Risk-reward is fair at this juncture unless inorganic growth opportunities are revealed. Hence, we adopt a wait-and-see approach until RON95 retargeting details are revealed by Sep 25. Retain HOLD, target price: RM23.20.

1H25 RESULTS

Year to 31 Dec (RMm)	2Q25	qoq % chg	yoy % chg	YTD 2025	yoy % chg	Comments
Revenue	**9,065.5**	**(0.3)**	**(7.9)**	**18,158.5**	**(5.6)**	yoy/qoq volume growth: -1%/-2% yoy
-Retail	4,834.7	2.5	(6.8)	9,550.7	(6.7)	2Q25/ 1H25 yoy volume growth:: -9%/ -10%
-Commercial	4,166.6	(3.4)	(8.9)	8,479.3	(4.2)	2Q25/ 1H25 yoy volume growth:: +12%/ +13%
-Convenience	64.3	(0.0)	(13.3)	128.6	(10.5)	
EBIT	**375.8**	**(7.8)**	**(6.4)**	**783.1**	**5.2**	Lower opex more than offset the loss in diesel / mogas volume
-Retail	163.3	(15.4)	(28.3)	356.2	(19.6)	Volume loss mainly from diesel
-Commercial	179.9	(0.2)	9.3	360.1	26.2	Favourable price movements especially jet fuel, and opex
-Convenience	32.6	(4.6)	250.8	66.8	304.9	
Operating margin (%)	4.1	(0.3)	0.1	4.3	0.4	
Finance cost	(3.4)	(3.3)	52.6	(6.9)	52.3	
Associates	1.5	(72.2)	(144.9)	6.8	(138.9)	
Pre-tax profit	373.9	(8.6)	(5.6)	783.0	8.3	
Income tax	(101.0)	(6.6)	(10.5)	(209.0)	1.2	
Net profit	**265.5**	**(9.5)**	**(3.9)**	**559.0**	**11.3**	1H25 exceptional items (EI): Impairment losses of
Core profit	**269.9**	**(8.2)**	**(6.2)**	**563.9**	**9.7**	RM8m outweighed RM5m forex gain

*Source: Petronas Dagangan , UOB Kay Hian *Note: Means of Platts Singapore (MOPS)*

RESULTS

- **1H25 core profit in line, contributing 48% and 51% of our and consensus estimates.** Petronas Dagangan (PETD) also declared a second interim DPS of RM0.22. Despite a contraction in volume growth largely driven by the correction in demand for retail diesel, we deem the results to be in line, due to: a) above-industry volume growth, especially in the commercial segment (largely driven by its market strength and better distribution network for jet fuel), b) jet fuel market price trends continuing to be favourable in 2Q25, and c) a likely sustainable lower opex base. 1H25 EBITDA was RM960m, a growth of 4% yoy.
- **Likely above-industry volume growth.** We noted that Petron Malaysia, which also reported its 2Q25 results, shared that its 2Q25 volume growth was "stable" (PETD: -1%). For the commercial segment, its growth was +9% (PETD: +12%). Petron also revealed that its exports market declined due to the lower production of products like naphtha.

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	36,749	37,950	36,841	38,740	40,746
EBITDA	1,588	1,889	**2,121**	**2,037**	**2,101**
Operating profit	1,149	1,372	**1,522**	**1,442**	**1,475**
Net profit (rep./act.)	777	1,114	1,187	1,100	1,123
Net profit (adj.)	753	1,114	1,187	1,100	1,123
EPS (sen)	98.9	112.3	119.5	110.7	113.1
PE (x)	19.3	16.9	15.9	17.2	16.8
P/B (x)	3.3	3.2	3.1	3.0	3.0
EV/EBITDA (x)	12.0	10.6	10.1	10.5	10.2
Dividend yield (%)	4.2	5.2	5.5	5.1	5.2
Net margin (%)	2.5	3.0	3.2	2.8	2.8
Net debt/(cash) to equity (%)	(47.1)	(23.5)	(47.3)	(48.8)	(50.2)
Interest cover (x)	126.1	97.7	78.3	60.7	52.4
ROE (%)	17.0	19.8	20.8	19.1	19.2
Consensus net profit	-	-	1,112	1,117	1,143
UOBKH/Consensus (x)	-	-	1.12	0.98	1.00

Source: Petronas Dagangan, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	RM22.80
Target Price	RM23.20
Upside	+1.8%

COMPANY DESCRIPTION

The principal domestic marketing arm of Petronas for downstream products, in retail, commercial, liquefied petroleum gas (LPG) and lubricants.

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	PETD MK
Shares issued (m):	993.5
Market cap (RMm):	18,915.0
Market cap (US$m):	4,298.9
3-mth avg daily t'over (US$m):	1.6

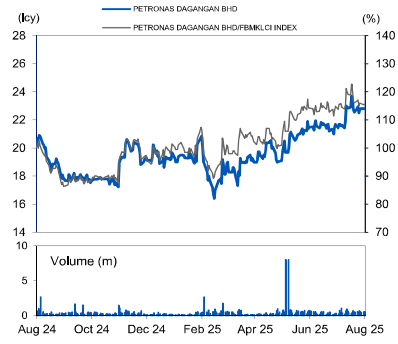
Price Performance (%)

52-week high/low				RM21.68/RM16.10
1mth	**3mth**	**6mth**	**1yr**	**YTD**
(1.4)	7.5	7.5	(6.8)	1.5

Major Shareholders	**%**
Petronas	63.9
EPF	12.5

FY25 NAV/Share (RM)	5.92
FY25 Net Cash/Share (RM)	2.80

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **RON95 subsidy retargeting targeted for 2H25; details to be revealed by Sep 25.** During the Malaysia Budget, Prime Minister Anwar said the rollout was targeted for mid-25. Recent statements by the Petrol Dealers Association of Malaysia (PDAM) and Petron suggest the rollout will be in 2H25. They appear consistent with Anwar's comments during the weekend that the RON95 price will not be raised. Minister of Economy Rafizi Ramli hinted at a two-phase implementation. The front-end phase involves operational execution at petrol stations, while the back-end phase involves eligibility determination for the lower 85% income group (possibly via Mykad). The plan is now under the jurisdiction of the Ministry of Finance.
- **A study case: Unsubsidised fuel prices at two stations in Perlis.** We observed that Syarikat Double Endorse SB, an independent fuel station player that operated for over 10 years, operates two fuel stations in Perlis. Both stations are in Padang Besar and Bukit Kayu Hitam, which are also key locations for transportation and mobility through the Thailand-Malaysia Special Economic Zone. As of today, according to the Double Petrol website, the prices listed for unsubsidised petrol and diesel varied across those stations (as shown on the RHS illustration). This may be due to other factors like the oil company's and dealers' cost structure no longer being fixed in the unsubsidised pump price, unlike with subsidised fuel prices governed by the Automatic Pricing Mechanism.
- **ESG: A major breakthrough in green mobility…** While PetDag's partnership with Blueshark for the latter's electric two-wheelers (2W-EV) has been ongoing for some time, within the green mobility and electric vehicle (EV) ecosystem, the 2W-EV segment had not really taken off in a big way nationwide until 9 May 25. On this date, PetDag's subsidiary, PDB Growth Solutions SB, formed a strategic Joint Venture (JV) to advance the exclusive distribution and adoption of Blueshark-branded 2W-EVs, including the SoloEra models. Some Petronas stations will operate battery-swapping services, and we understand this infrastructure is already present in Klang Valley, Penang and Johor.
- …**with the goal to achieve household brand status for local electromobility.** In parallel, the JV will also involve two other key delivery partners. One partner is Sharkgulf Technologies Group Limited (STGL) – the original product developer and technology provider for the Blueshark platform – as the supplier of smart battery systems, connected powertrains and software integration capabilities. The other is EP Manufacturing Bhd (EPMB), who will act as the local assembler of the 2W-EV, and will play a key role in localising production and logistics for the Malaysian market. We believe the goal of this JV, leveraging PetDag's extensive network and EPMB's manufacturing expertise, is to win the race to become the main local household name in the 2W-EV space.

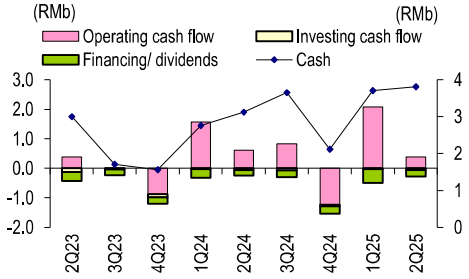
VALUATION/ RECOMMENDATION

- **Retain earnings forecasts.**
- **Retain HOLD, target RM23.20.** This implies a 2026F PE and dividend yield of 21x and 4.2% respectively. We believe PETD is well-positioned to weather any uncertainties in the retargeting implementation. It has ample working capital to withstand another level of stress receivable.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

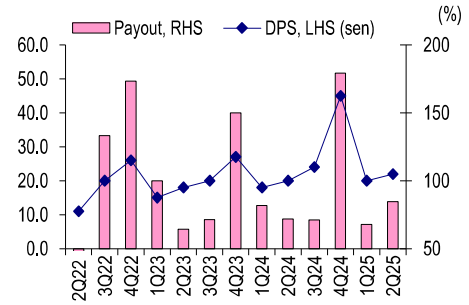
• **Environmental**
- **Green Energy at its fuel stations.** Installing solar panels, and collaborating with GreenTech to provide ChargeEV facilities. - **Circular economy.** Reduce single-use plastics. Collect recycled items at stations.
• **Social**
- **Supply Chain.** Support enterprises as station dealers or Kedai Mesra suppliers. - **Donations.** Regularly sponsors community services and provided COVID-19 donations.
• **Governance**
- **6 out of 10 board members are independent.**

CASH BALANCE, QUARTERLY



*Source: PETD, UOB Kay Hian *Note: Cash levels reflected on RHS axis*

DIVIDENDS, QUARTERLY



Source: PETD, UOB Kay Hian

PRICE COMPARISON OF TWO FUEL STATIONS

Source: Double Endorse, https://doublepetrol.com.my/

DCF-BASED VALUATION

	Current
Risk-free Rate	Implied 5%
Beta	0.9x
Risk premium	6.5%
Long-term growth	4.0%
EBITDA p.a.	RM1.8-2.0b
Capex p.a.	RM482-530m
Working capital p.a.	RM0.6b loss to RM0.1b
Target Price, with 30% discount	**RM23.20**

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**37,950**	**36,841**	**38,740**	**40,746**
EBITDA	1,889	2,121	2,037	2,101
Deprec. & amort.	504	498	524	550
EBIT	1,372	1,522	1,442	1,475
Associate contributions	(5)	(5)	(5)	(5)
Net interest income/(expense)	(21)	(27)	(34)	(40)
Pre-tax profit	**1,497**	**1,592**	**1,475**	**1,506**
Tax	(374)	(398)	(369)	(377)
Minorities	(6)	(6)	(6)	(6)
Net profit	**1,116**	**1,187**	**1,100**	**1,123**
Net profit (adj.)	1,116	1,187	1,100	1,123

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	4,117	4,702	4,877	5,025
Other LT assets	64	7	7	7
Cash/ST investment	1,507	3,226	3,489	3,748
Other current assets	5,799	3,710	3,332	2,951
Total assets	**11,487**	**11,646**	**11,705**	**11,731**
ST debt	52	50	50	50
Other current liabilities	5,388	5,091	4,909	4,691
LT debt	100	375	484	593
Other LT liabilities	110	153	153	153
Shareholders' equity	5,768	5,885	6,008	6,137
Minority interest	68	74	80	86
Total liabilities & equity	**11,487**	**11,646**	**11,705**	**11,731**

CASH FLOW

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**(87)**	**3,103**	**1,702**	**1,744**
Pre-tax profit	1,353	1,497	1,410	1,436
Tax	365	374	353	359
Deprec. & amort.	463	502	529	556
Associates	(5)	-5	-5	-5
Working capital changes	(1,275)	1,614	140	106
Other operating cashflows	(988)	(644)	(676)	(708)
Investing	**(310)**	**(493)**	**(493)**	**(493)**
Capex (growth)	(467)	(530)	(530)	(530)
Investments	(14)	(14)	(14)	(14)
Proceeds from sale of assets	119	0	0	0
Others	52	52	52	52
Financing	**(985)**	**-1,033**	**-976**	**-993**
Dividend payments	(795)	-982	-925	-943
Loan repayment	(190)	(50)	(50)	(50)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	**(1,382)**	1,719	263	258
Beginning cash & cash equivalent	**2,889**	1,507	3,226	3,489
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	**1,507**	**3,226**	**3,489**	**3,748**

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	4.9	4.9	4.8	4.8
Pre-tax margin	3.6	3.5	3.5	3.5
Net margin	2.5	2.6	2.6	2.6
ROA	8.3	8.4	8.8	9.2
ROE	16.4	16.7	17.2	17.6
Growth				
Turnover	2.2	0.1	5.1	5.1
EBITDA	15.6	0.1	3.4	5.2
Pre-tax profit	19.2	(3.3)	4.7	4.8
Net profit	21.5	3.5	4.7	4.8
Net profit (adj.)	30.5	(0.7)	4.7	4.8
EPS	30.5	(0.7)	4.7	4.8
Leverage				
Debt to total capital	2.5	6.7	8.1	9.4
Debt to equity	2.6	7.2	8.9	10.5
Net debt/(cash) to equity	(23.5)	(47.3)	(48.8)	(50.2)
Interest cover (x)	126.0	88.6	70.2	59.6

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